

ADMINISTRATIVE WAGE GARNISHMENT IS LATEST DEBT COLLECTION TOOL

In July, 2001, The Department of the Treasury rolled out the Administrative Wage Garnishment (AWG) tool as allowed under the Debt Collection Improvement Act of 1996 (DCIA) through its Cross-Servicing Program. This collection mechanism allows Federal agencies to garnish up to 15 percent of the disposable pay of debtors who do not work for the Federal Government. A court order is not required. As part of the Cross-Servicing Program, an agency can use the tool by adhering to statutory requirements, and by updating its agency profile to indicate that it permits AWG. Debt Management Services (DMS) is geared up for the increase in collection activity anticipated with the advent of AWG.

What are the Statutory and Regulatory Requirements? The AWG process is authorized by the DCIA, 31 United States Code (U.S.C.) section 3720D and 31 Code of Federal Regulations (CFR), section 285.11. The rules and procedures governing Administrative Wage Garnishment (final rule) were published in the Federal Register on May 6, 1998. In accordance with the final rule, the Financial Management Service (FMS) established Standard Form 329 (SF329), which Federal agencies are required to use to issue AWG orders.

Who are the Users of AWG? Federal agencies may use AWG. The private collection agencies (PCAs) under contract to Treasury to collect debt will assist Federal agencies by identifying debtors eligible for AWG. The PCA will establish that the debtor has been employed for at least 12 months and issue a notice letter on behalf of the Federal agency before garnishing the debtor's wages. The PCA will forward to FMS any request for a hearing by a debtor. In addition, the PCA will monitor collections under the AWG order to ensure employer compliance. The PCA is not authorized to issue AWG orders or to hold hearings requested by debtors.

Who has Management and Oversight of AWG For the Cross-Servicing Program? The Administrative Wage Garnishment Branch, Debt Services Division, DMS, FMS has oversight and management responsibility. The AWG Branch is tasked with ensuring that private collection agencies correctly and actively use AWG. In addition, the AWG Branch will issue the AWG orders on behalf of a Federal agency.

What are the Responsibilities of Federal Agencies In Using AWG Under Cross-Servicing? Federal agencies must adopt Treasury rules regarding hearing procedures, or prescribe regulations for the conduct of AWG hearings consistent with Treasury rules. See 31 CFR section 285.11(f). If a debtor makes a written request for a hearing concerning the existence or amount of

the debt or the terms of the proposed garnishment amount, the agency is required to hold the hearing and issue a decision within 60 days of the request. Agencies also are required to review any requests for review of the garnishment amount by debtors who are suffering financial hardship caused by materially changed circumstances. CONTACT a member of our staff listed below when you are ready to implement AWG and provide us with your contact person for hearings.

What is the Employer's Obligation? The employer is required to comply with the garnishment order by deducting the required amount from the debtor's disposable pay. Noncompliance by the employer may result in legal action. T

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